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C O N F I D E N T I A L SECTION 01 OF 02 ALGIERS 000848

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SUBJECT: BOUTEFLIKA LASHES OUT

Classified By: CDA, a.i. Thomas F. Daughton; reasons 1.4 (b, d).

11. (C) SUMMARY: During a speech to local officials on July 26, President Abdelaziz Bouteflika stunned his audience by admitting that his government's economic policies have failed and blaming that failure on both foreign influence and mismanagement at all levels of government. The president scolded bureaucrats for their lack of initiative and called for greater decentralization of decisionmaking. One mayor who attended the speech told us that the atmosphere in the audience was tense and that Bouteflika's remarks were as much about government failures as they were about making people feel like failures. Two major local French-language dailies, El Watan and Quotidien d'Oran, ran scathing critiques of the speech, noting that Bouteflika himself had hand-picked the government he was assailing and had approved the policies he now blames for Algeria's economic woes. In one of the more peculiar moments in his speech, Bouteflika downplayed Algeria's unemployment problems and blamed what problem exists on what he called lazy Algerian youth. The president's remarks have left many here speculating about the purpose and timing of his speech, which seems like an odd way to launch an anticipated campaign for a third term. End Summary.

PARADISE LOST

12. (SBU) In a wide-ranging, largely extempore speech to a national meeting of municipality directors and mayors that he called on July 26, President Bouteflika made a rare admission that his government's economic policies had failed, yielding economic stagnation, a lack of productive foreign investment and an opportunistic private sector. Bouteflika specifically noted the failure of Algeria's privatization program, which he claimed was forced on Algeria during a period of weakness, and blamed foreign influences and mismanagement by ministries and local government leaders alike for lackluster results. "We chose a path that we thought would lead us to paradise," Bouteflika told his audience, "we must now rethink our strategy."

13. (C) Bouteflika chastised his bureaucrats at both the national and local level, calling for greater decentralization of decisionmaking and increased inclusion of citizens in local government. He said that the credibility of state institutions would be at risk if the people lost faith in their leaders. "I want ideas to come from the bottom up," he insisted. "We have found ourselves in a situation in which everyone waits for orders from the top. Each one of us must assume responsibility." Algeria's youngest mayor, Redouane Lemkhine, who attended Bouteflika's

speech, told us that the tension in the audience was palpable. Lemkhinek said that although the speech was about the failures of the government, it was also about making people feel like failures.

¶4. (C) In addition to dressing down his government, Bouteflika also questioned the true scale of Algeria's unemployment problem, which he said had more to do with lazy Algerian youth than an actual lack of jobs. He asserted that Algeria's agricultural and construction industries are desperate for workers, yet the youth were only interested in "easy gain" and preferred working as "night watchmen." Bouteflika also challenged the official unemployment rate, which he claimed was closer to 11 percent than the official figure of 13 percent -- a number that was both "too high and far from reality."

HARSH WORDS FROM THE PRESS

¶5. (SBU) The non-government French-language dailies El Watan and Quotidien d'Oran responded to Bouteflika's speech with scathing critiques. El Watan's July 28 article remarked that Bouteflika ultimately bore responsibility for the government's "monumental" failure, since it was the president alone who had hand-picked the government. Quotidien d'Oran highlighted the irony in Bouteflika's criticism of policies to which he had personally given the green light. El Watan concluded that Bouteflika was correct on at least one point: the leaders of the country have made many mistakes, and "it is too late to catch the train."

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COMMENT: ODD WAY TO START AN ELECTION CAMPAIGN

¶6. (C) The official text of Bouteflika's speech posted on-line bears little resemblance to the tongue-lashing he gave his audience. Hewing to usual practice, the presidency published only the as-prepared version, which is a dull, statistics-filled call for greater decentralization that was clearly penned by the Ministry of Interior. But, as the speech was broadcast live on national television, many Algerians had a chance to hear what the president actually said. At first blush, Bouteflika's speech seems like an odd way to build momentum for what most people still expect to be his quest for a third term. By admitting his government's failures, Bouteflika may have been trying to preempt those who would challenge the idea of a third mandate. His blistering assessment of the government's poor performance may also have been calculated to strike a chord with average Algerians increasingly frustrated with inept bureaucrats.

¶7. (C) People here have interpreted the speech variously. Prime Minister Ouyahia's National Democratic Rally (RND) hopes that Bouteflika's focus on mismanagement will mean that Ouyahia can bring more RND cadres into the government. RND National Bureau member and former MP Fatma Zohra Mansouri told us brightly that Bouteflika's emphasis on improving management tracked closely with Ouyahia's formula for improving governance. The head of the state-run Algeria Press Service asserted to us that the president's intent was to serve notice on all Algerians who aren't working to improve the country that they need to shape up. Long-time National Liberation Front (FLN) member Abderahmane Belayat, in contrast, told us that Bouteflika's goal was simply to flummox his opponents: "He served up a dish they didn't expect." One wag observed that at least the speech meant Bouteflika was in decent health, since when the president is unwell he sticks to a laborious reading of his prepared text.

¶8. (C) El Watan and others have given a darker reading to the speech, seeing it as revealing Bouteflika's powerful frustration at his government's failure to improve the

situation in Algeria. El Watan editor Omar Belhouchet told us Bouteflika seems to believe he is the only one in his government working to make things better. The president's comments about unemployment and night watchmen also suggest, however, that he is significantly out of touch with current Algerian reality, which includes phenomena like dozens of young men setting out every day in small boats for Europe. The danger now is that the more backward elements of the regime will use the president's attack on greedy foreigners and failed privatizations to reverse the reforms that have taken place. It has also not gone unnoticed that while Bouteflika was generous in his criticism, he was miserly with solutions. The FLN's Belayat remarked to us that Bouteflika correctly identified the problem, but he admitted that the to-do list was missing. Belayat concluded glumly, "Like every Algerian, I am dying to know how we will get out of this slump."

DAUGHTON